FY2013 Performance and Accountability Report

Montgomery County Department of Finance

CountyStat

FIN Alignment to County Priority Objectives

Montgomery County Priority Objectives

- **A Responsive and Accountable Government**
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- **A Strong and Vibrant Economy**
- Vital Living for All of Our Residents

FIN Headline Performance Dashboard

Headline Performance Measure	FY12 Results	FY13 Results	Performance Change
Bond Rating - Rating given to Montgomery County by Fitch (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	⬌
Bond Rating - Rating given to Montgomery County by Moody's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	⬌
Bond Rating - Rating given to Montgomery County by Standard & Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	⬌
Interest Rate - Montgomery County General Obligation Bond true interest cost (The interest rate of Montgomery County's most common type of bond)	3.23%	2.20%	↑
Interest Rate Benchmarking – County GO vs. Municipal Market Data Index (basis point spread)	14	22	⬌
Investment return - Rate of return on Montgomery County's investments	0.20%	0.16%	⬌
Investment Return Benchmarking – County Return vs. S&P Local Government Investment Pool Index (basis point spread)	4	8	⬌
Revenue forecasting - Percent variance between actual revenue and projected revenue	1.20%	1.74%	↓
Workers Compensation—Cost per $100 of payroll	$3.05	$2.80	↑
Workers Compensation—Number of cases resulting in lost work time	544	563	↓

FIN At A Glance

What Department Does and for Whom	How Much / How Many
Overall Departmental Function: The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.	Total: $61,247,742 Total: 113.68 WYs Total Employees: 118
Major Function #1A: Sound Financial Mgt: Policy • Develop and promulgate fiscal policies; advise departments, the County Executive, and County Council on a wide range of fiscal matters • Provide regular financial reports and revenue and economic updates	Budget: $ 6,046,224 Work Years: 41.18 Prepared 20 Economic Impact Statements & Monthly & Quarterly Economic Forecasts Developed revenue forecasts in support of operating and capital budgets
Major Function #1B: Sound Financial Mgt: Debt • Maintain the County's AAA GO bond rating • Obtain the most advantageous market rates for all County debt issues • Identify and implement debt refunding opportunities	Managed over $2.7 billion in direct long term debt and $500 million in commercial paper Issued $295M in new debt, refunded $109.5M; and issued $327M in commercial paper Produced Refunding Debt Savings of $13.8M
Major Function #1C: Sound Financial Mgt: Transactions • Manage the County's revenues, expenditures, assets, investments, and outstanding debt • Provide regular financial reports including the CAFR • Actively manage the County's working capital accounts & short term investments	Produced CAFR, Report on Expenditures of Federal Awards, and Annual Info Statement Received the FY12 GFOA certificate for the CAFR Managed nearly $900M in average daily cash balance in bank accounts & investments

FIN At A Glance (cont.)

What Department Does and for Whom	How Much/How Many
Major Function #4: Customer Service Provide services to external and internal customers such as taxpayers, vendors, and employees through processing payments and receivables, answering customer inquiries and providing proactive communications to the Public and within the Government	Budget: $ 5,432,187 Work Years: 46.50 Bill 364,105 property tax accounts, collecting over $1.5 billion in property tax revenue Respond to and close 3,877 MC311 Service Requests Process 77,238 transfer office transactions; 40,208 cashier transactions; 112,000 vendor payments; 265,000 paychecks; Mail 14,815 delinquency notices
Major Function #5: Promote a Safe and Healthy Work Environment Ensure the safety of our employees, volunteers, and visitors through the promotion of a safe and healthy work environment for County employees	Budget: $49,769,331 Work Years: 26.00 Conduct 70 training classes Review 204 self-inspection reports Review 7,155 contracts for adequate insurance coverage

Headline Performance Measure 1: Bond Ratings (Fitch, Moody's, Standard & Poor's) Bond Ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition.

Performance Trends

	Results			Projections		
	FY11	FY12	FY13	FY14	FY15	FY16
Fitch	AAA			AAA		
Moody's						
Standard & Poor's						

Factors Contributing to Current Performance

- Sound financial management and reputation
- Reserve Policies
- Multi-year fiscal planning
- Stability in the bond markets
- Demand for high quality municipal bonds

Factors Restricting Performance Improvement

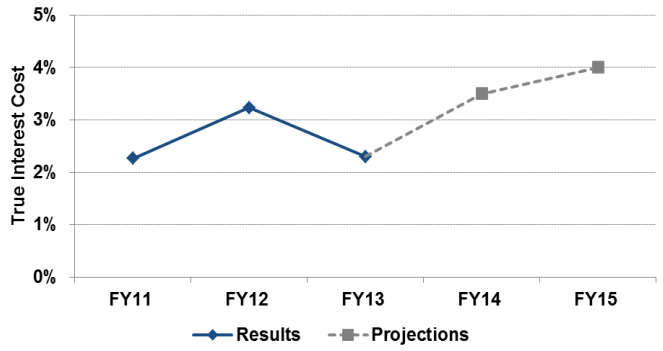
- Indirect linkage with federal government
- Perceived negative impact of federal budget reductions on local economy & revenues
- Reversion of interest rates to historic norms

Performance Improvement Plan

- Continue to collaborate with OMB, DED, DGS, DOT, the Offices of the County Executive and other departments as necessary to prepare rating agency presentations.
- Fully use the talent and experience of financial advisors to assess market risk and opportunities especially for refunding debt.
- Research and stay current on new tools for providing liquidity facilities (alternatives to commercial paper); bidding bonds; and other developments that could reduce interest and issuance costs.
- Monitor and stay current on regulatory changes in the municipal market.

Headline Performance Measure 2: Interest Rate: True Interest Cost (TIC) for General Obligation bonds (the most common debt instrument used by the County)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	2.26%	3.23%	2.30%			
Projections			2.30%	3.5%	4.0%	5.0%

Factors Contributing to Current Performance

- Adoption of enhanced fiscal policies that strengthen reserves, limit use of 1x revenues, and prudent financial policies
- Finance keeps rating agencies apprised of economic and revenue conditions in the County and in the region

Factors Restricting Performance Improvement

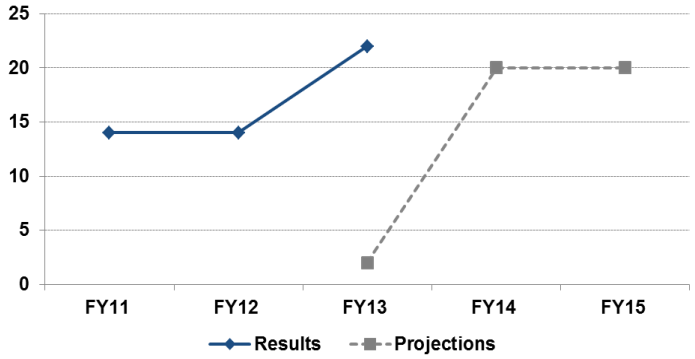
- Federal fiscal policies including sequestration and tax increases
- Wage & benefit pressures
- Service demands and expectations
- State legal & policy changes
- Post Retirement funding: ERS & OPEB

Performance Improvement Plan

- Maintain relationship with rating agencies
- Continue collaboration with other AAA jurisdictions on approaches to rating agencies.
- Monitor federal budget developments and analyze impact of federal fiscal policy and spending changes on the local economy and state and local revenues
- Monitor compliance with existing fiscal policies with a special focus on OPEB funding and use of one time revenues. A working definition of one time revenues and how they are applied to the budget needs to be developed

Headline Measure 3: Interest rate benchmarking: County GO vs. Municipal Market Data index (basis point spread)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	14	14	22			
Projections			2	20	20	20

Factors Contributing to Current Performance

- Sound financial management and reputation
- Multi-year fiscal planning
- Stability in the bond markets
- Demand for high quality municipal bonds

Factors Restricting Performance Improvement

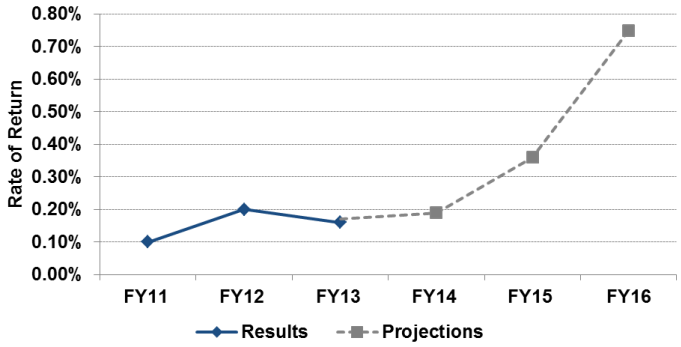
- Indirect linkage with federal government
- Perceived negative impact of federal budget reductions on local economy and revenues
- Debt ceiling, sequestration, and new Federal Reserve Chair

Performance Improvement Plan

- Continue to collaborate with OMB, DED, and other departments as necessary to prepare rating agency presentations
- Fully use the talent and experience of financial advisors to assess market risk and opportunities especially for refunding debt
- Research and stay current on new tools for providing liquidity facilities (alternatives to commercial paper); bidding bonds; and other developments that could reduce interest and issuance costs
- Monitor and stay current on regulatory changes in the municipal market

Headline Measure 4: Investment Return: Rate of return on Montgomery County's investments

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	0.10%	0.20%	0.16%			
Projections			0.17%	0.19%	0.36%	0.75%

Factors Contributing to Current Performance

- Active management of the County's portfolio
- Access to CDARS investment pool
- Access to quality, timely market information
- Enhanced staffing for investment management

Factors Restricting Performance Improvement

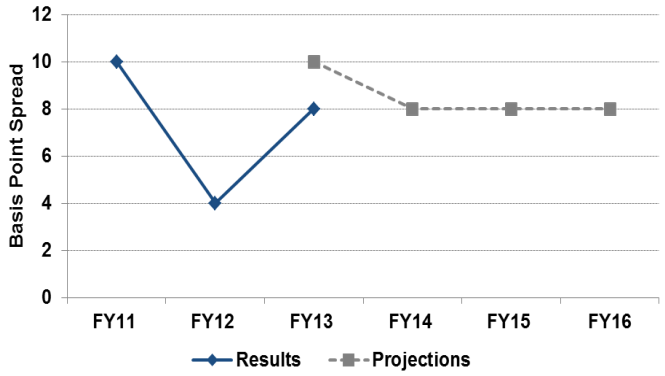
- Current low yield available in short term market
- Need to maintain high bank balances for liquidity and to avoid fees

Performance Improvement Plan

- Continue to monitor market opportunities to identify higher yielding and legally permitted investments
- Refine annual Cash flow budget to better manage and allocate to investment pool
- Update Investment Policy to provide greater flexibility, manage risks, and align with current market environment

Headline Measure 5: Investment Return Benchmarking: County Return vs. S&P Local Government Investment Pool Index (basis point spread)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	10	4	8			
Projections			10	8	8	8

Factors Contributing to Current Performance

- Active management of the County's portfolio
- Access to CDARS investment pool
- Access to quality, timely market information
- Enhanced staffing for investment management

Factors Restricting Performance Improvement

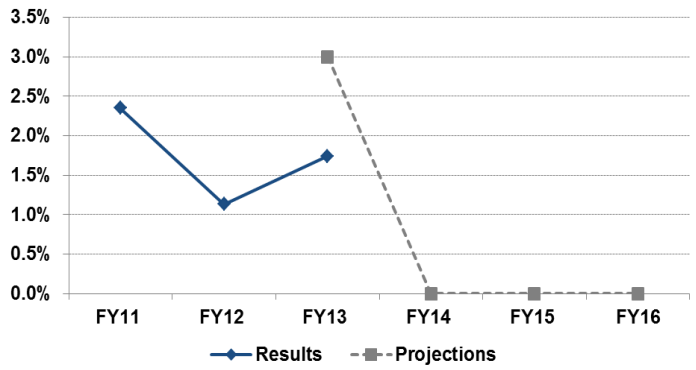
- Current low yield available in short term market
- Need to maintain high bank balances for liquidity and to avoid fees

Performance Improvement Plan

- Continue to monitor market opportunities to identify higher yielding and legally permitted investments
- Refine annual Cash flow budget to better manage and allocate to investment pool
- Update Investment Policy to provide greater flexibility, manage risks, and align with current market environment

Headline Measure 6: Revenue Forecasting: Percent Variance between actual revenue and projected revenue

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	2.35%	1.13%	1.74%			
Projections			3.0%	0%	0%	0%

Note: There was a technical correction to the FY11 and FY12 results based on updated data.

Factors Contributing to Current Performance

- Analyze additional data for independent and comprehensive forecast of key economic indicators
- Perform quarterly budget surveillance
- Monitor revenue sources
- Monitor changes to federal, state and local tax policies

Factors Restricting Performance Improvement

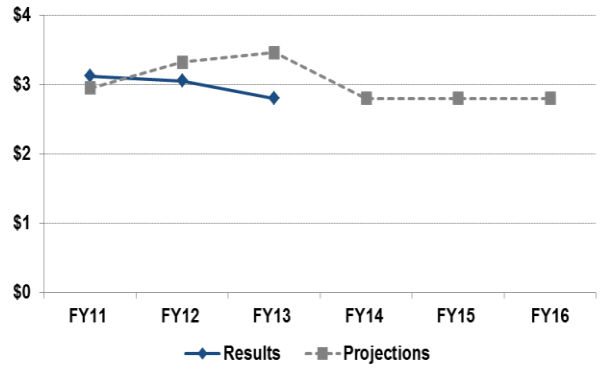
- Unanticipated changes in:
  - regional, national economic, & world economic and financial activity;
  - federal procurement and employment;
  - County, federal and state tax and expenditure policies
  - Debt Ceiling, Sequestration

Performance Improvement Plan

Continue to identify sources of supplementary information, such as additional detail on income taxes from the State Comptroller, real estate transactions, energy consumption patterns, and other economic topics that can help improve understanding of revenue distributions and add to the accuracy of future revenue projections.

Headline Measure 7: Workers Compensation: Cost per $100 of payroll

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	$3.12	$3.05	$2.80			
Projections	$2.95	$3.32	$3.46	$2.80	$2.80	$2.80

Factors Contributing to Current Performance

- New third party claims administrator is improving response time and providing analytical data on claims to address problems earlier
- Cost containment programs including pharmacy benefit manager, physician network, and nurse case manager

Factors Restricting Performance Improvement

- Collective bargaining agreements, state laws, and practices which encourage litigation, permit extended absence from work and make cooperation with cost containment programs voluntary for employees

Performance Improvement Plan

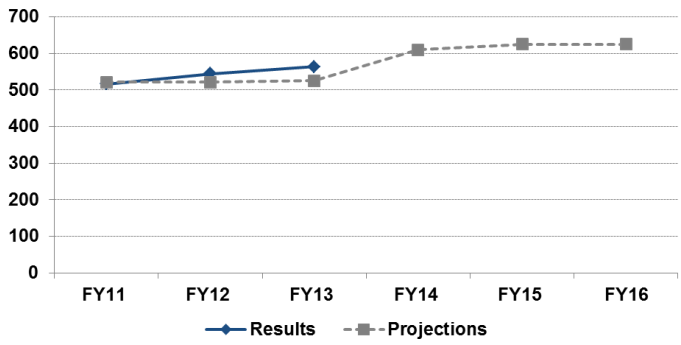
Continue work of Public Safety workgroup to:

- Monitor third party claims administrator performance and responsiveness;
- Monitor and analyze the trend in annual hours in leave related to workers' compensation claims, with an emphasis on greater work attendance accountability;
- Monitor and analyze the overtime costs related to backfilling employees on work-related disability;
- Review options for prosecuting cases in the event of a determination of a fraudulent claims;
- Identify legislative and bargaining contract amendments that would improve the cost effectiveness and sustainability of the workers' compensation program in the County; and
- Mandatory supervisor/manager training on absence management.

Continue Discussions with IAFF on mandatory use of County's costs containment programs including nurse case manager, physician network, and pharmacy benefit manager.

Headline Measure 8: Workers Compensation: Number of cases resulting in lost work time

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	516	544	563			
Projections	521	521	525	610	625	625

Note: FY11 and FY12 results have been updated to include indemnity claims that had less than 3 days or less of lost time.

Factors Contributing to Current Performance

- New third party claims administrator is improving response time and providing analytical data on claims to address problems earlier
- Cost containment programs including pharmacy benefit manager, physician network, and nurse case manager

Factors Restricting Performance Improvement

- Collective bargaining agreements, state laws, & practices which encourage litigation, permit extended absence from work and make cooperation with cost containment programs voluntary.
- Actuaries are upwardly revising estimates based on experience in other jurisdictions.

Performance Improvement Plan

Continue work of Public Safety workgroup to:

- Monitor third party claims administrator performance and responsiveness;
- Monitor and analyze the trend in annual hours in leave related to workers' compensation claims, with an emphasis on greater work attendance accountability;
- Monitor and analyze the overtime costs related to backfilling employees on work-related disability;
- Review options for prosecuting cases in the event of a determination of a fraudulent claims;
- Identify legislative and bargaining contract amendments that would improve the cost effectiveness and sustainability of the workers' compensation program in the County; and
- Mandatory supervisor/manager training on absence management.

Continue Discussions with IAFF on mandatory use of County's costs containment programs including nurse case manager; physician network; and pharmacy benefit manager.

Responsive and Sustainable Leadership:

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified eight overarching goals for all County departments:

1) Effective and Productive Use of the Workforce/Resources:
Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

a) *7% decrease in average overtime hours used by all full-time, non-seasonal employees.**
(Source: CountyStat)

b) *2 percentage point decrease in average Net Annual Work hours for all full-time, non-seasonal employees.**
(Source: CountyStat)

**The values are based on the employee's HR Organization and not assigned Cost Center(s).*

2) Internal Controls and Risk Management:
Department actively assesses its internal control strengths, weaknesses, and risks regarding compliance with laws, regulations policies and stewardship over County assets. Department reviews and implements Internal Audit recommendations in a systematic and timely manner, and proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation.

a) *64% of 11 Audit report recommendations were fully implemented since issuance of the audit report (Source: Internal Audit will provide to CountyStat)*

b) *Finance had 3 work related injuries in FY13 and 0 in FY12. (Source: Risk Management)*

3) <u>Succession Planning</u>:

Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

a) *List all the key positions/functions in your department that require succession planning (Source: Department Survey)*

Controller:

- Controller
- General Accounting Manager
- Payroll Manager
- Grants Manager

Director's Office:

- Chief Operating Officer
- IT Manager (MII)

Risk Management:

- Chief of Risk Management
- Insurance Manager
- Program Manager II
- Insurance Risk Analyst
- Occupational Safety and Health Manager

Fiscal Management:

- Debt Manager
- Investment Manager

Treasury

- Chief of Treasury

b) *29% of those identified key positions/functions have long-term succession planning in place (Source: Department) (Source: Department Survey)*

4) <u>Mandatory Employee Training:</u>

Department systematically monitors and actively enforces employees' mandatory and/or required trainings.

60% of department's employees who have fulfilled mandatory County/State/Federal training requirements (Source: Department)

5) Workforce Diversity and MFD Procurement:

Department actively participates in the recruitment of a diverse workforce and enforcement of MFD procurement requirements.

Workforce Diversity: refer to or attach summary yearly report prepared by OHR
(Source: ERP, Personnel Management Review Assignment Dashboard)

	African Amer	Native Amer	White	Asian	Hispanic	Other
FINANCE	**18.6%**	**1.0%**	**46.1%**	**19.6%**	**6.9%**	**7.8%**

MFD Procurement:
Finance awarded 64 actions (52% of total actions) and $5,589,987 (40% of total dollars) to MFD Firms.
(Source: Department provides and CountyStat validates) (Link to report)

6) Innovations:

Department actively seeks out and tests innovative new approaches, processes and technologies in a quantifiable, lean, entrepreneurial manner to improve performance and productivity.

Total number of innovative ideas/project currently in pipeline for your department, including the ones initiated in coordination with the Montgomery County Innovation Program.
- Developing a program to automate self-inspection reports to expedite department initiated safety requests to the Risk Management Safety Section; reduce travel time for inspectors; and expand the consulting capacity of safety inspectors
- Implementing a web based employee safety education application that will provide online training on safety issues and provide incentives for participation including safety equipment and supplies for those who use the system.
- Developing a program to track all County volunteers for risk management purposes.
- Developing a revised property tax billing system to replace an outdated, undocumented, vulnerable system. This involves the automation of several previously manual processes.
- Actively collaborating with other County departments (DPS, DHCA, DLC) to implement advanced payment & banking solutions e.g. deposit on site; credit card payments; & automated check processing.
- Working with OHR & OCA to implement paycard solution for employees not on direct deposit and paying employee reimbursements with direct deposit rather than a paper check.
- With HHS Implementing a debit card program for social workers to reduce use of paper checks and provide a more reliable and flexible method for social workers to provide support to clients.
Expected (or achieved) return on investment for each of those innovative ideas/projects, quantified in terms of at least one of the following measures: increased effectiveness/efficiency, cost savings/avoidance, increased transparency/accountability, or increased customer satisfaction.

7) <u>Collaborations and Partnerships</u>:
Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures. Please only list accomplishments that had positive results for other department(s) as well.

a) Total $13.8 million saved by through collaborations and partnerships with other departments

$13.8 million in debt refunding savings for GO, Conference Center, & Resource Recovery Facility

b) List your accomplishments and/or expected results (Source: Department)

- *Refunding GO Bonds, Conference Center Bonds, & Resource Recovery Facility Debt conserved the resources of the affected funds.*
- *Reviewing WQPF Hardship exemptions for DEP will allow DEP program staff to focus on water quality duties*
- *Partnering with the State on the Homestead Credit compliance program saved State staff time and identified new revenues for the County*
- *Collaborating with DEP on Solar Energy exemptions for fuel energy tax will support clean energy development (will result in revenue loss, but support production of clean energy)*
- *Working with DGS to identify innovative financing for HHS facility to reduce energy consumption and utility costs (Financing secured through Bank of America with projected savings covering all debt service and producing net savings after the bonds are retired.*

8) <u>Environmental Stewardship:</u>
Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

a) 6% increase in print and mail expenditures from FY12 to FY13
(Source: CountyStat)
b) 54% increase in paper purchases (measured in total sheets of paper) from FY12 to FY13
(Source: CountyStat)
c) List your accomplishments and/or expected results (Source: Department)
- Direct Deposit Employee Reimbursement (e.g. Travel Advances)
- Centralized Contract files (including invoices) on shared drive for access by the Dept. This reduces the need for making multiple hard copies of amendments, invoices, and other contract-related items. - Reduction of paper driven process through new Automated Systems for:
Volunteer Tracking Database & Employee Safety Self Inspection